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December 3, 2014

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Electronically Filed

Re: CC Docket No. 95-116; WC Docket No. 09-109

Dear Ms. Dortch:

I write on behalf of Neustar, Inc., in response to the November 20, 2014, letter of Peter Karanjia, on behalf of CTIA and others. That letter states that extending the current LNPA contract would cost consumers "$40 million per month."

That claim is wrong on its face, and CTIA's discussion of the price issue is misleading and incomplete. It erroneously assumes that the only alternative to selecting Ericsson is extending the current contract, ignoring Neustar's risk-free, lower priced offers. It ignores the fact that whoever is selected as LNPA will charge for that service. It completely ignores the substantial transition costs – estimated at $60 million per month in the first year alone – as well as the potential impact of a transition on small carriers and consumers. It ignores the threat to consumer welfare from a difficult transition, as well as the potentially serious effects on national security, law enforcement, and public safety if NPAC and numbering functionality is not maintained at current levels. And, finally, CTIA's emphasis on price simply highlights the harm to the public interest from the failure to consider the best available offers during the RFP process.

First, in citing the $40 million figure, CTIA purports to quantify the cost of NPAC services if the NAPM extends the current contract. But CTIA's rhetoric ignores the fact that no matter what happens, NPAC services must be provided, and the company that provides them will charge for those services. CTIA does not purport to discuss potential *savings* – the difference between the cost of an extension of NPAC services under the current contract and any other option (including even the Neustar proposal that was before the NAPM and the NANC, let alone the Neustar proposal that the NAPM did not consider). It could not do so publicly without violating the protective order in this proceeding.

Second, by emphasizing *price*, CTIA ignores the actual *cost* of a potential LNPA transition and the value of a fully functional system with zero transition costs. Neustar has documented that a reasonable estimate of transition costs is $719 million ($60 million per month) in the first year alone.[1] Ericsson's experts admit to substantial pre-transition costs.[2] Those costs overwhelm the claimed potential savings from a lower-priced contract. Yet the NANC recommendation does not even attempt to quantify such potential transition costs or to balance them against any potential cost savings. Furthermore, the NANC recommendation appears to rest on the assumption that the new system that Ericsson now proposes to build from scratch will work flawlessly. But that is unrealistic: as a Standish Group study showed, the chances of an on-time delivery of a new NPAC system is around 4 percent.[3] If the new system does not work properly: (1) consumers are likely to wait for hours or days to change their service provider;[4] (2) a critical investigative tool relied on by the law enforcement community may be jeopardized;[5] (3) 911 location information may be put at risk;[6] and (4) there will be a surge in complaints that telemarketers are improperly marketing to wireless telephones.[7] There is no fallback plan: once

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[1] *See* Letter from Aaron M. Panner, Counsel for Neustar, to Marlene H. Dortch, Federal Communications Commission, CC Dkt. No. 95-116, WC Dkt. No. 09-109 (Sept. 23, 2014); Hal Singer, *Estimating the Costs Associated with a Change in Local Number Portability Administration* (Jan. 2014), *available at* http://www.ei.com/downloadables/SingerCarrier Transition.pdf.

[2] *See* Eric Burger, *Issues and Analysis of a Provider Transition for the NPAC, S2ERC Technical Report* (July 22, 2014).

[3] *See* Big Bang Boom, The Standish Group (2014), *available at* http://www.standishgroup.com/sample_research_files/BigBangBoom.pdf.

[4] *See, e.g.*, Comments of TelePacific and HyperCube, CC Dkt. No. 95-116, WC Dkt. No. 09-109, at 3-4 (July 25, 2014) (discussing transition risks for small carriers).

[5] *See* Reply Comments of the Federal Bureau of Investigation, the Drug Enforcement Administration, the United States Secret Service, and U.S. Immigration and Customs Enforcement, CC Dkt. No. 95-116, WC Dkt. No. 09-109 (Aug. 11, 2014).

[6] *See* Letter from Brian Fontes, CEO, NENA: The 9-1-1 Association, to Marlene Dortch, Secretary, Federal Communications Commission, CC Dkt. No. 95-116, WC Dkt. No. 09-109 (Aug. 22, 2014); Comments of Intrado, Inc., CC Dkt. No. 95-116, WC Dkt. No. 09-109 (July 24, 2014).

[7] Comments of Professional Association for Customer Engagement, CC Dkt. No. 95-116, WC Dkt. No. 09-109, at 2-3 (Nov. 10, 2014)

there is a transition, it may be impossible for Neustar to take back the database and restore it to its current highly functional status.

Third, the Commission cannot simply look at gross price differentials. It must consider how various costs will be borne by carriers and the potential impact on telecommunications competition. *Any* transition will impose significant costs; a *botched* transition would also impair the intense marketplace competition that flawless number portability has helped to foster. The impacts from a costly transition, service degradation during transition, and ultimately a less-capable NPAC will fall most heavily on small carriers. That helps to explain why smaller carriers have urged the Commission to reform the RFP process to take their views and interests into account.[8]

Fourth, the Commission cannot accept at face value a claim that the price-based justifications continually invoked by CTIA would automatically be shared by consumers. The country's largest service providers are in the unique position of: (1) paying the largest share of NPAC costs; (2) having the least to lose from a breakdown in competition arising from any transition, let alone a difficult transition, making it more difficult for new entrants and smaller providers to acquire new customers; and (3) having the greatest ability to absorb IT and operational expenses associated with a transition. The price justifications offered by CTIA are dwarfed by the benefits of number portability and associated services for consumers and competition. As just one example of the benefits of seamless, reliable number portability, carriers today are engaged in a marketing war to attract new subscribers even before the consumers' contracts with their carrier have expired. According to one study, since wireless number portability was introduced in 2003, consumers have received a benefit of between $8 and $10 billion per year as a result of increased competition (coming in the form of lower wireless prices and service innovation).[9] Analysis shows that this benefit is primarily driven by the speed and seamlessness of the porting experience – precisely the aspects of service that a transition to an untested vendor would sacrifice.

Fifth, the emphasis on potential savings from a transition to a lower priced vendor ignores the potentially serious effects of an inadequately planned, ill-considered transition on national security, public safety, and law enforcement. National security and public safety considerations should not take a back seat in the choice of the LNPA. The largest carriers

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[8] *See* Comments of the LNP Alliance on Neustar's Petition for Declaratory Ruling, at 12-13, WC Dkt. No. 09-109, CC Dkt. No. 95-116, at 7–8 (Nov. 21, 2014); Letter from Kathleen Q. Abernathy, Frontier Communications, to Marlene H. Dortch, Sec'y, FCC, WC Dkt. No. 09-109, CC Dkt. No. 95-116 (Nov. 26, 2014).

[9] *See* Hal J. Singer, *The Consumer Benefits of Efficient Mobile Number Portability Administration* 18, (2013), *available at* http://www.navigant.com/insights/library/navigant-economics/2013/mobile-number-portability-administration/.

understandably want to obtain the lowest price available as soon as possible, but the cost of precipitate action will not fall first or most heavily on them. Rather, these costs will fall heavily on law enforcement and PSAPs, in the form of increased security risks and diminished functionality. Although the number of voices expressing concern in this regard continues to grow,[10] the comments filed by USTelecom and NAPM are silent on these issues.

Finally, any discussion of potential cost differential highlights the importance of the NAPM's failure to seek additional proposals from all bidders, when it was clear that better offers were available. By making price the most important factor in the selection process, while simultaneously ignoring the true cost of transition and providing no substantive analysis of the relative technical and managerial merits of the competing proposals, the NANC recommendation contradicts the express terms of the RFP. Moreover, the decision to make price determinative made it all the more important for the NAPM to ensure that all bidders had their best offers on the table by seeking additional rounds of bids.

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, a copy of this letter is being filed via ECFS. If you have any questions, please do not hesitate to contact me.

Sincerely,

Aaron M. Panner /cmw

Aaron M. Panner

cc: Daniel Alvarez
Nicholas Degani
Rebekah Goodheart
David Goldman
Amy Bender
Julie Veach
Jonathan Sallet
Lisa Gelb
Michele Ellison
Randy Clarke
Ann Stevens

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[10] As Neustar details in its Reply Comments, federal, state, and local law enforcement and public safety organizations, as well as private companies responsible for 911 services, have urged the Commission to conduct the evaluations omitted from the NANC recommendation. *See* Reply Comments of Neustar, Inc., WC Dkt. No. 09-109, CC Dkt. No. 95-116, at 7 & n.20 (Dec. 3, 2014).

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